

M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Dolores Kendrick, Manager Analyst: R. Dawson

Subject: PROPOSED AMENDMENT NO. 1 FOR **HAWKER PACIFIC AEROSPACE**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees:
 - *Worldwide:* 600
 - *In California:* 271
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs:
 - Present Program Costs:** \$83,200
 - Amendment Program Costs +:** \$93,600
 - Total Program Costs:** \$176,800
- Substantial Contribution:
 - Present Contract Contribution:** \$41,600
 - Amendment Contribution +:** \$46,800
 - Total Contributions:** \$88,400
- Total ETP Funding: \$88,400

- In-kind Contribution:

- *Total Contribution*

- Present Contract:** \$85,248

- Amendment:** \$170,496

- *Trainee Wages Paid During Training*

- Present Contract:** \$85,248

- Amendment:** \$170,496

- *Other Contributions:*

- Present Contract:** \$0

- Amendment:** \$0

- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles

INTRODUCTION:

Hawker Pacific Aerospace repairs and overhauls aircraft and helicopter landing gear, hydromechanical components and wheels, brakes and braking systems components.

The current ETP Agreement with Hawker Pacific Aerospace was approved by the Panel in December 2004 to upgrade the skills of 200 full-time employees to meet the demands of its customers, improve its competitive position in the marketplace and ensure job security. Training began on February 17, 2004 and is progressing as planned.

Hawker Pacific Aerospace continues to be eligible for standard retraining under the Out-of-State Competition Provisions outlined in Title 22, California Code of Regulations Section 4416(a)(1,2) for the production and services provided on behalf of its customers both inside and outside of California.

As of July 30, 2004, the Contractor reported that 160 trainees (80 percent) had completed the required 32 hours of training.

According to the Contractor, as a result of its ongoing and intense marketing efforts, Hawker Pacific Aerospace has increased its sales by approximately 9 percent. The company reported that it averaged \$4.7 million in monthly sales during the calendar year 2003 and for the first six months of 2004, its average monthly sales rate has increased to \$5.1 million. Additionally, Hawker Pacific Aerospace commented that the company is currently bidding for new and additional contracts with Alaska Airlines, Jet Blue Airways, Bell Helicopter and Dunlop Aviation Wheel & Brakes. In order to win these contracts, it must provide efficient, cost-effective, and on-time service encompassing the entire process of tearing down, testing and overhauling landing gears and brake assemblies.

INTRODUCTION: (continued)

Therefore, the Contractor is requesting to increase the number of class/lab training hours by 36 from 32 to 68 hours and also add additional topics under continuous improvement. The additional hours of training would focus on kaizen foundation, demand flow and leveling, managing key processes, kaizen teams, kaizen milestones, visual management, and maintaining and improving standards.

MEETING ETP GOALS AND OBJECTIVES:

Hawker Pacific proposes training that will further the following ETP goals and objectives:

This project meets ETP's mandate to foster job retention in industries threatened by out-of-state competition.

The training is targeted to meet ETP's mandate to develop the skills of frontline workers.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/ Lab Videocnf. Hrs	No. CBT Hrs.	No. SOST Hrs.	Cost Per Trainee	Hourly Wage Ater 90 Days
Retrainee Job Number 1	Menu: Continuous Improvement Business Skills	200	68	0	0	\$442	*\$11.92- \$45.50
					<u>Prevalent Hourly Wage</u> \$13.32		
					<u>Average Cost Per Trainee</u> \$442		
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Health Benefits of at least \$2.50 per hour will be applied to the base wage in order to meet the ETP minimum wage for Los Angeles County of \$11.92.					<u>Turnover Rate</u> 19%		<u>% Of Mgrs & Supervisors To Be Trained:</u> 4%
<u>Other Employee Benefits:</u> In addition to medical, dental and vision benefits, employer-paid benefits may include, but not limited to sick leave, vacation, life insurance and pension.							

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). The remaining eight are supervisors who constitute 4 percent of the total training population and who do not set company policy. Training for these supervisors supports the training of the frontline workers because these supervisors are directly involved in producing Hawker Pacific products and are ultimately responsible for the quality of the end products produced by their subordinates

➤ ***Production During Training***

Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Substantial Contribution***

Title 22 California Code of Regulations, Section 4410(a) states in part that:

“A substantial contribution of not less than 30 percent of the total Panel training and administrative costs, exclusive of in-kind contribution and/or any other special contributions required by Panel, shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more.” The substantial contribution is applied only if prior Agreements were within the last five years.

In addition, 4410(b) and (c) states, “A substantial contribution of no less than 50 percent shall be assessed on any subsequent agreements, beginning with the fourth agreement, for retraining at the same facility.”

- A substantial contribution of 50 percent has been applied to this Agreement because this is Hawker Pacific's fifth Agreement and the company has benefited directly from Panel funding under two prior Panel Agreements in excess of \$250,000.

PROPOSED ACTION:

Staff recommends that the Panel approve this Amendment if funding is available and the project meets ETP priorities.

NARRATIVE:

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Training provided in the past, while under the title of continuous improvement, was significantly different in scope and was not directed specifically at process improvements on such a broad scale. The prior continuous improvement training included courses in lean manufacturing, 5S, empowerment and delegation, geometric tolerances, and landing gear hydraulics theory and systems. The proposed continuous improvement training will focus on value stream mapping, workplace culture, quality management and ISO principles and practices. In the past, the company also provided orientation training for new employees, cross-training for production staff, safety training and also training on Federal Aviation Administration Regulations.

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET04-0588	\$41,600	12/30/04-12/29/05	200	182 *	162	0

* Based on project statistics, 218 retrainees started training and 182 retrainees have been enrolled. Since 81 percent of the retrainees have completed training and training is progressing as planned, the Contractor projects to complete the maximum number of trainees.

HAWKER PACIFIC AEROSPACE

MENU CURRICULUM

CLASS/LAB HOURS

Trainees will receive one or more of the following subjects:

68

Continuous Improvement

Value Stream Mapping

- Conduct flow analysis
- Diagram/map current flow of material and information (current state)
- Collect and chart data for cycle times, down time, in-process
- Inventory and information flow paths
- Analyze data and identify issues
- Identify opportunities for improvement
- Prepare future state map that shows processes in a continuous flow
- Prepare work plan for implementing future state map
- Identify measurable goals for implementation
- Prepare follow-up plan

International Organization for Standardization (ISO) Principles and Practices

Workplace Culture

Quality Management

Achieving Measurable Performance

Customer Service

Kaizen Foundation

Demand, Flow and Leveling

Managing Key Processes

Create Kaizen Teams

Kaizen Milestones

HAWKER PACIFIC AEROSPACE

MENU CURRICULUM (continued)

Continuous Improvement (continued)

Visual Management

Maintaining and Improving Standards

Business Skills

- Finance Fundamentals